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January 18, 1991

1-018A007

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*NOT ADMITTED IN

VIA HAND DELIVERY

The Honorable Sidney L. Strickland, Jr.
Secretary
Interstate Commerce Commission
Room 1324
12th Street & Constitution Avenue, N.W.
Washington, D.C. 20423

17205
REGISTRATION NO. _____ FILED 145

JAN 18 1991 - 11:05 AM

INTERSTATE COMMERCE COMMISSION

Re: Security Agreement

Dear Mr. Strickland:

Please find enclosed an original and one true copy of the document described below, to be recorded pursuant to Section 11303 of Title 49 of the U.S. Code.

This document is a Security Agreement, a primary document, dated December 27, 1990.

The names and addresses of the parties to the document are as follows:

Secured Party:

First American National Bank
505 South Gay Street
Knoxville, TN 37902

Debtor:

A&F, Inc.
c/o Lawler - Wood, Inc.
1600 Riverview Tower
Knoxville, TN 37902

Handwritten signature: Suzanne M. Tibeau

Hon. Sidney L. Strickland, Jr.

-2-

January 18, 1991

A description of the equipment covered by the document is attached to the document as Exhibit D.

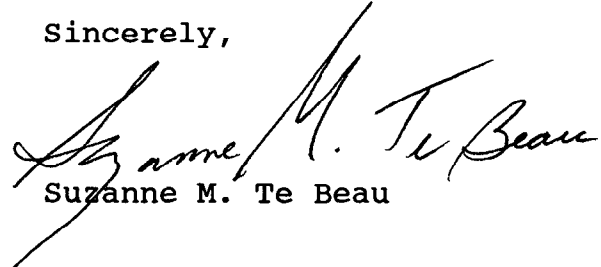
A filing fee of \$15.00 is enclosed. Please return the original and any extra copies not needed by the Commission for recordation to the representation of this firm filing this document.

A short summary of the document to appear in the index follows:

A Security Agreement between First American National Bank, 505 South Gay Street, Knoxville, TN 37902 and A&F, Inc., c/o Lawler-Wood, Inc., 1600 Riverview Tower, Knoxville, TN 37902, dated December 27, 1990, and covering three (3) GP-9 locomotives, identified by numbers as: 6076, 6044, 6094; and one (1) ~~GP-9~~ locomotive identified by number ~~1014~~.

If you have any questions regarding this filing, please contact me at (202) 628-2000.

Sincerely,


Suzanne M. Te Beau

Enclosures

TACS314.LET\8637\1

Interstate Commerce Commission
Washington, D.C. 20423

1/18/91

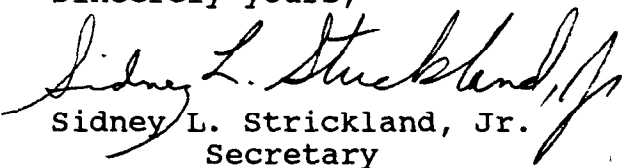
OFFICE OF THE SECRETARY

Suzanne M. Te Beau
Weiner McCaffrey, Brodsky, Kaplan & Levin
1350 New York Avenue N.W.
Washington, D.C. 20005-4797

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 1/18/91 at 11:05am, and assigned recordation number(s). 17205

Sincerely yours,


Sidney L. Strickland, Jr.
Secretary

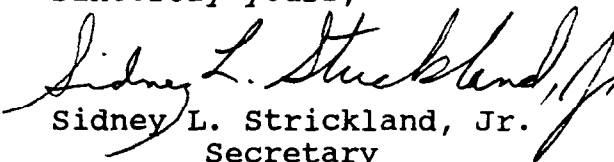
Interstate Commerce Commission
Washington, D.C. 20423

OFFICE OF THE SECRETARY

Dear

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on at , and assigned recordation number(s).

Sincerely yours,


Sidney L. Strickland, Jr.
Secretary

17205

COMMERCIAL TO _____ 12/18/90

JAN 18 1991 -11 05 AM

SECURITY AGREEMENT

INTERSTATE COMMERCE COMMISSION

This SECURITY AGREEMENT (hereinafter, with all amendments thereto, being referred to as "this Agreement") is executed as of December 27, 1990, by A&F, INC. (the "Borrower") whose mailing address is c/o Lawler-Wood, Inc., 1600 Riverview Tower, Knoxville, Tennessee 37902, in favor of FIRST AMERICAN NATIONAL BANK (the "Lender"), whose mailing address is 505 South Gay Street, Knoxville, Tennessee 37902.

Recitals

A. The Borrower and the Lender have entered into a Commitment Letter dated as of October 2, 1990 (the "Loan Agreement"), pursuant to which the Lender has agreed to loan to the Borrower the principal amount of \$700,000 (the "Loan").

B. The Loan is to be evidenced by the Borrower's promissory note in the principal amount of \$700,000 (the "Note"). The Note is dated December 27, 1990, and bears interest as provided therein and is payable in accordance with its terms.

C. To secure the Loan and the Note and to induce the Lender to enter into the Loan Agreement with the Borrower and to extend credit to the Borrower under the Loan Agreement on the strength of the security provided by this Agreement, the Borrower has agreed to execute and deliver this Agreement to the Lender.

Agreement

NOW, THEREFORE, in consideration of the premises, and to induce the Lender to enter into the Loan Agreement and to make the Loan, and to secure the payment of Obligations (as hereinafter defined), the Borrower hereby agrees with the Lender as follows:

1. Defined Terms. As used in this Agreement the following terms shall have the respective meanings assigned to them as follows:

Capitalized terms used in this Agreement and not otherwise defined herein shall have the meanings accorded thereto in the Loan Agreement.

"Accounts" shall mean and include all Accounts Receivable, Contract Rights, Chattel Paper, Instruments and Documents.

"Assigned Agreements" shall mean and include all leases, contracts and agreements included in the Property, or in connection with which Accounts now exist or may hereafter be created, including the agreements described in Exhibit A.

"Accounts Receivable" shall (a) mean a right to payment (i) for goods sold or leased, (ii) for services rendered by the Borrower, (iii) of rentals and other monies under any of the Assigned Agreements, and (iv) of any other proceeds of any of the Property described in this Agreement, (b) include all of the foregoing whether or not evidenced by an Instrument or Chattel Paper, and (c) include a right to payment that has been earned under a Contract Right.

"Business Day" means any day other than a Saturday or Sunday or a public or bank holiday or the equivalent for banks generally under the laws of the State of Alabama and the United States.

"Chattel Paper" shall have the meaning accorded to that term under the Alabama Uniform Commercial Code.

"Contract Right" shall mean any right to payment under a contract not yet earned by performance, whether or not evidenced by an Instrument or Chattel Paper.

"Debt" of any person shall mean (i) all indebtedness, whether or not represented by bonds, debentures, notes or other securities, for the repayment of borrowed money, (ii) all deferred indebtedness for the payment of the purchase price of property or assets purchased, (iii) all capitalized lease obligations, and (iv) all indebtedness secured by any Lien on any property of such person, whether or not indebtedness secured thereby shall have been assumed.

"Deposit Accounts" shall mean and include all bank accounts and other deposit accounts and lock boxes included in the Property.

"Documents" shall have the meaning accorded to that term under the Alabama Uniform Commercial Code.

"Guarantors" shall mean H. Pat Wood and Woodfam Investments, Ltd.

"General Intangibles" shall mean all general intangibles as defined in the Alabama Uniform Commercial Code and all choses in action, causes of action and other intangible personal property of the Borrower of every kind and nature (other than Accounts) including corporate or other business records, inventions, designs, patents, patent applications, trademarks, trade names, trade secrets, good

will, copyrights, registrations, licenses, permits, certificates of authority, franchises, tax refund claims, insurance policies and all rights thereunder (including any refunds and returned premiums) and any security now or hereafter held by or granted to the Borrower to secure payment of any of the Accounts.

"Governmental Authority" means any court or any federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign.

"ICC" Interstate Commerce Commission.

"Instruments" shall have the meaning accorded to that term under the Alabama Uniform Commercial Code.

"Inventory" shall mean goods, merchandise and other personal property now or hereafter held by the Borrower for sale or lease or furnished or to be furnished under contracts of service or otherwise, raw materials, parts, finished goods, work-in-process and supplies and materials used or consumed, or to be used or consumed, in the Borrower's present or future businesses, and all such property the sale, lease or other disposition of which has given rise to Accounts and which has been returned to or repossessed or stopped in transit by the Borrower.

"Liabilities" shall include the Obligations and all other indebtedness, obligations (including obligations of performance) and liabilities of the Borrower to the Lender of every kind and description whatsoever, known or unknown, direct or indirect, absolute or contingent, due or to become due, now existing or hereafter incurred, contracted or arising, or acquired by the Lender from any source, joint or several, liquidated or unliquidated, regardless of how they arise or by what agreement or instrument they may be evidenced or whether they are evidenced by any agreement or instrument, and whether incurred as maker, endorser, surety, guarantor, general partner, drawer, tort-feasor, indemnitor, account party with respect to a letter of credit or otherwise, including obligations incurred in connection with the issuance of a letter of credit, and any and all extensions and renewals of any of the same.

"Lien" includes any mortgage, deed of trust, security deed, pledge, lien, security interest, hypothecation, claim, assignment, deposit arrangement, easement, restriction, charge or encumbrance, and any other security device or preferential arrangement of any nature whatsoever (including, without limitation, any lease, title retention agreement or financing lease having substantially the same economic effect

as any or the foregoing, and the filing of, or agreement to give, any financing statement under the Uniform Commercial Code or comparable law of any jurisdiction).

"Obligations" shall have the meaning accorded to that term in Section 2.

"Obligor" shall include any buyer or lessee of Inventory from the Borrower, any customer for whom services have been rendered or materials furnished by the Borrower and any other Person that is now or may become obligated to the Borrower on an Account.

"Permitted Encumbrances" shall mean the matters, if any, set forth on Exhibit B attached hereto and made a part hereof.

"Person" (whether or not capitalized) includes natural persons, sole proprietorships, corporations, business trusts, unincorporated organizations, associations, companies, institutions, entities, joint ventures, partnerships, governments (whether federal, state, county, municipal or otherwise) and Government Authorities.

"Property" shall have the meaning accorded to that term in Section 3.

"Subsidiary" shall mean (a) any corporation more than 50% of whose shares of stock having general voting power under ordinary circumstances to elect a majority of the board of directors, managers or trustees of such corporation, irrespective of whether or not at the time stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency, is owned or controlled directly or indirectly by any Borrower or (b) any partnership 50% or more of the partnership interests of which are owned or controlled, directly or indirectly, by any Borrower and shall include entities currently or hereafter falling within the categories described in clause (a) or (b) above.

"Tangible Property" shall have the meaning accorded to that term in Section 7.

2. Obligations Secured. This Agreement is given to secure and shall secure the prompt payment of the following (hereinafter sometimes collectively referred to as the "Obligations"):

(a) the indebtedness evidenced by the Note, and any and every extension or renewal thereof;

(b) all sums becoming due and payable by the Borrower under the terms of this Agreement, including sums advanced by the Lender pursuant to the terms and conditions of this Agreement;

(c) all other indebtedness, obligations and liabilities of the Borrower to the Lender (including obligations of performance) of every kind and description whatsoever, direct or indirect, absolute or contingent, due or to become due, now existing or hereafter incurred, contracted or arising, or acquired by the Lender from any source, joint or several, liquidated or unliquidated, regardless of how they arise or by what agreement or instrument they may be evidenced or whether they are evidenced by agreement or instrument, and whether incurred as maker, endorser, surety, guarantor or otherwise, and any and all extensions or renewals of any of the same, including without limitation any reimbursement obligations incurred in connection with the issuance of a letter of credit; and

(d) the compliance with and performance of each and every obligation, covenant, duty, condition and agreement in this Agreement and the Note, imposed on or agreed to by the Borrower.

3. Property. As security for the Obligations, the Borrower does hereby transfer, sell, assign and convey to the Lender, and grant to the Lender a security interest in, all of its right, title and interest in, to and under the following property, whether real, personal or mixed, whether now owned or hereafter acquired by the Borrower, and wherever located (hereinafter collectively called the "Property"):

(a) all machinery, equipment, furniture, furnishings, inventory, materials, vehicles, supplies, fixtures, goods and other tangible personal property of the Borrower including all locomotives, engines, tenders, tampers, cars, buses, trucks and other rolling stock and equipment, including, without limitation, all such locomotives, engines, tenders, tampers, cars and other rolling stock described in Exhibit D to this Agreement (all equity therein), and all steamers and steamships, ferries, boats, barges, tugs and other floating equipment;

(b) all existing and future leases and use agreements of personal property entered into by the Borrower as lessor with other persons as lessees, including the right to receive and collect all rentals and other monies, including security deposits, at any time payable under such leases and agreements;

(c) any existing and future leases and use agreements of personal property entered into by the Borrower as lessee with other persons as lessor, including the leasehold interest of the Borrower in such property, and all options to purchase such property or to extend any such lease or agreement;

(d) any and all accessions and additions now or hereafter made or added to any of the property described in subparagraphs (a) through (c) above, any substitutions and replacements therefor, and all attachments and improvements now or hereafter placed upon or used in connection therewith, or any part thereof;

(e) all Accounts of the Borrower;

(f) all General Intangibles of the Borrower;

(g) all moneys of the Borrower and all bank accounts in which such moneys may at any time be held and all investments or securities in which such moneys may at any time be invested and all certificates, instruments and documents from time to time representing or evidencing any such moneys;

(h) all interest, dividends, proceeds, products, rents, royalties, issues and profits of any of the property described in subparagraphs (a) through (g) above and all notes, certificates of deposit, checks and other instruments from time to time delivered to or otherwise possessed by the Lender for or on behalf of the Borrower in substitution for or in addition to any or all of said property; and

(i) all books, documents and records (whether on computer or otherwise) related to any of the items described in subparagraphs (a) through (h) above.

No submission by the Borrower to the Lender of a schedule or other particular identification of Property shall be necessary to vest in the Lender security title to and a security interest in each and every item of Property of the Borrower now existing or hereafter created and acquired, but rather such title and security interest shall vest in the Lender immediately upon the creation or acquisition or any item of Property hereafter created or acquired, without the necessity for any other or further action by the Borrower or by the Lender.

4. General Representations and Warranties. The Borrower represents and warrants as follows:

(a) The Borrower is the lawful and absolute owner of the Property and have a good right to transfer, sell, assign, convey, and grant a security interest in the same under this Agreement, subject to Permitted Encumbrances; the Property is free and clear of all Liens other than ad valorem taxes, the security interest of the Lender under this Agreement and Permitted Encumbrances; and the Borrower does hereby warrant and will forever defend the title to the Property unto the Lender, its successors and assigns, against the claims of all persons whomsoever, whether lawful or unlawful.

(b) No financing statement covering any of the Property is on file at any public office except as identified in paragraph (a) above.

(c) The Borrower's chief place of business is located at Opp, Alabama, and Borrower's chief executive office is located at the address of Borrower set forth on the first page of this Agreement. Borrower keeps its records at both such locations.

5. General Covenants and Agreements. The Borrower covenants and agrees with the Lender as follows:

(a) The Tangible Property shall be kept (or in the case of a motor vehicle, principally garaged) at the locations set forth on Exhibit C attached hereto and made a part hereof, and said locations, the locations of each Borrower's principal place of business and chief executive office and the location at which the Borrower's records concerning Accounts are kept shall not be changed without the prior written consent of the Lender.

(b) The Borrower shall immediately advise the Lender in writing of any change in the location of its principal place of business, the location of its chief executive office, the place where records of its Accounts are kept, or the places where its Tangible Property is kept.

(c) The Borrower is and shall remain the owner of all real estate on which any of the locations described in subparagraphs (a) and (b) next above are located; or if not, the relevant Borrower shall promptly obtain from each owner of said real estate a written waiver or subordination (in form and substance satisfactory to the Lender) of any landlord's Lien or other Lien said owner might have with respect to the Property.

(d) The Borrower will not allow any of the Property that is not a fixture to become attached to any real estate other than the real estate, if any, described in the Mortgages in such manner as to become a fixture or a part

thereof without the written consent of the Lender. However, if at any time any of the Tangible Property should be affixed to other real estate, the security interest of the Lender under this Agreement shall nevertheless attach to and include said Tangible Property. The Borrower shall promptly furnish to the Lender a description of such real estate and the names of the record owners thereof, execute such additional financing statements and other documents as the Lender may reasonably require, attempt to obtain from the owners of such real estate and the holders of any Liens thereon such subordination agreements and other documents as the Lender may request, and take such other actions as the Lender may reasonably deem necessary or desirable in order to preserve and perfect the Lender's security interest therein as a first priority perfected security interest.

(e) The Borrower will not, without the prior consent of the Lender, pledge or grant any security interest in any of the Property to any person other than the Lender, or permit any Lien to attach to any of the Property or any levy to be made thereon or any financing statement (other than those of the Lender) to be on file with respect thereto.

(f) At the request of the Lender, the Borrower will join with the Lender in executing one or more financing statements pursuant to the Uniform Commercial Code in form satisfactory to the Lender covering the Property and will pay the costs of filing the same in all public offices wherever filing is deemed necessary or prudent by the Lender. In the event that Borrower fails or refuses to execute any such financing statement, the Lender may file an executed copy or photocopy of an executed copy of this Agreement as a financing statement in any such offices to the extent permitted by applicable law.

(g) The Borrower will execute all documents necessary to assure the filing of a valid ICC security filing with the ICC.

(h) The Lender may correct any and all patent errors in this Agreement or any financing statements or other documents executed in connection herewith.

(i) The Borrower shall inform the Lender in writing of any material adverse change in any of the representations and warranties of the Borrower under this Agreement, promptly after the Borrower shall learn of such change.

(j) Upon the reasonable request of Lender, the Borrower shall furnish to the Lender from time to time statements and schedules further identifying and describing

the Property and such other reports in connection with the Property as the Lender may reasonably request, all in reasonable detail.

(k) The Borrower will keep and maintain at its own cost and expense satisfactory and complete records of the Property, including a record of all payments received and all credits granted with respect to the Property and all other dealings with the Property. For the further security of the Lender, the Borrower agrees that the Lender shall have a special property interest in all of the Borrower's books and records pertaining to the Property. Upon request of the Lender such books and records will be segregated and marked by the Borrower with the Lender's name in a manner satisfactory to the Lender. After the occurrence of an Event of Default the Borrower shall deliver and turn over to the Lender any such books and records at any time on written demand of the Lender.

(l) The Borrower shall promptly deliver to the Lender the certificates of title for any motor vehicles now or hereafter included in the Property that are subject to the Alabama Uniform Certificate of Title and Antitheft Act or the title laws of any other jurisdiction and shall join with the Lender in executing any applications and other documents and taking any other actions necessary or desirable in the Lender's opinion to perfect its security interest under this Agreement in such vehicles. The Lender may retain possession of such certificates of title until this Agreement is terminated as set forth in Section 29.

6. Taxes and Assessments. The Borrower shall pay, before delinquent, all taxes, rents, assessments and charges levied against any of the Property, or any part thereof, and all other claims that are or may become Liens against the Property, or any part thereof, and should default be made in the payment of same, the Lender, at its option, may pay them upon one (1) days notice to the Borrower, except no such notice shall be required to be given unless, in the Lender's sole opinion, the delay caused by the notice period will not adversely affect the Property or the Lender's security interest therein.

7. Insurance. The Borrower shall keep all equipment, machinery, goods, furniture, furnishings, fixtures, supplies, tools, materials, vehicles and other tangible personal property that are part of the Property (herein property of the foregoing types being sometimes collectively called the "Tangible Property") insured against loss by fire, theft and, in the case of any vehicle, collision, in compliance with the reasonable requirements of the Lender. As further security for the Obligations, the Borrower hereby

assigns and pledges to the Lender, for its benefit, each and every policy of insurance covering the Property, or any part thereof, including all proceeds and returned premiums. The Borrower agrees that all certificates of insurance required by this Agreement or by other documents executed in connection herewith shall be delivered to and held by Lender and shall provide for at least thirty (30) days written notice to Lender prior to cancellation. If the Borrower fails to keep the Tangible Property, or any portion thereof, insured as above specified, then (without waiving the resulting Event of Default) the Lender may, at its option, immediately insure the Tangible Property, or any portion thereof for its own benefit. The loss, injury or destruction of the Property, or any part thereof, shall not abate, satisfy or release any of the Obligations; and the proceeds of such insurance, if collected, less the cost of collecting the same, shall be credited on the Obligations secured hereby in such order as the Lender shall elect, or, at the election of the Lender, may be used in repairing or replacing the Tangible Property.

8. Advances by Lender for Insurance, Taxes, etc.

All amounts expended by the Lender for insurance, taxes or to satisfy in whole or in part any prior Lien on the Property, or any part thereof, shall become a debt due of the Borrower to the Lender, additional to the Obligations hereby specially secured, and shall be secured hereby, and such amounts shall be payable within two (2) days of demand therefor. If payment is not received within said time period, such amounts shall bear interest until paid at the rate of interest provided for in the Note, or the highest rate permitted by law, whichever shall be less.

9. Care of Tangible Property; Notice of Loss, etc.

The Borrower shall: (a) take good care of the Tangible Property; (b) not commit or permit any waste thereon; (c) keep all Tangible Property in good repair; (d) at all times will maintain the same in as good condition as it is now in, reasonable wear and tear alone excepted; (e) not use, or permit the Tangible Property to be used, in violation of any statute, law or ordinance; and (f) notify the Lender immediately in writing of any event causing material loss or depreciation in value of any of the Property, and of the amount of such loss or depreciation (other than depreciation in the Tangible Property resulting from ordinary wear and tear).

10. Records. The Borrower shall at all times keep accurate and complete records of the Property, and the Lender or its agents shall have the right to call, at all reasonable times, at the Borrower's places of business (or any other

place where any of the Property is located) to inspect and examine the Property and to inspect, audit, check and make abstracts from the books, records, journals, orders, receipts, correspondence and other data relating to the Property or to any other transactions between the Borrower and the Lender.

11. Filing Fees and Taxes. The Borrower agrees, to the extent it may lawfully do so, to pay all recording and filing fees, revenue stamps, taxes or other expenses and charges payable in connection with the execution and delivery to the Lender of this Agreement, or on the recording, filing, satisfaction, continuation or release of any financing statements or other instruments filed or recorded in connection herewith.

12. Use of Tangible Property. The Borrower agrees (a) to perform or comply with the terms of any lease covering the premises wherein the Tangible Property is located and all orders, ordinances or laws of any Governmental Authority concerning such premises or the conduct of business therein; (b) not to conceal or abandon the Tangible Property; and (c) except in the normal operation of a railroad business not to lease or hire any of the Tangible Property to any Person or permit the same to be leased or used for hire otherwise than pursuant to any Permitted Encumbrances.

13. Collection of Accounts. The Borrower covenants and agrees that until the occurrence of an Event of Default hereunder, the Borrower will, at its sole expense, collect from the Obligor on each Account all amounts due thereon as and when the same shall become due; and in the event of any default by any Obligor justifying such action, the Borrower shall have the authority, at its sole expense, to repossess any goods covered by any such Account in accordance with the terms thereof and any applicable law and to take such other action with respect to any such Account or the goods covered thereby as the Borrower, in the absence of instructions from the Lender, may deem advisable. It is distinctly understood and agreed that no court action or other legal proceedings for garnishment, attachment, repossession of property, detinue or any attempt to repossess any goods covered by any Account otherwise than through legal proceedings, shall be done or attempted to be done by the Borrower except by or under the direction of competent legal counsel. The Borrower agrees to indemnify and hold the Lender harmless from any loss or liability of any kind or character which may be asserted or sought to be asserted against the Lender by virtue of any suit filed, process issued or any repossession or attempted repossession done or attempted by the Borrower or at the Borrower's direction or any endeavors that the Borrower may make to collect or enforce any Accounts or repossess any goods covered by any Account.

14. Assigned Agreements. The Borrower shall perform its obligations under each and every Assigned Agreement in accordance with the usual and customary practice in the railroad business.

15. Underlying Documentation. The Borrower will, upon the request therefor by the Lender, promptly deliver possession to the Lender of any or all of the Instruments, Documents and Chattel Paper that constitute a part of the Property. At the request of the Lender the Borrower shall deliver to the Lender all original and other documents evidencing, and relating to, the sale and delivery of Inventory or the performance of any labor or service relating to the creation of the Accounts, including all Chattel Paper, orders, invoices, Documents, delivery receipts and credit memoranda.

16. Defeasance. If the Borrower shall: (a) have paid and performed in full all of the Obligations (as defined herein), including (i) the indebtedness evidenced by the Note, and any and every extension and renewal thereof; (ii) all sums becoming due and payable by the Borrower under the terms of this Agreement, including sums advanced by the Lender pursuant to the terms and conditions of this Agreement; and (iii) all other indebtedness, obligations and liabilities of the Borrower to the Lender (including obligations of performance) of every kind and description whatsoever, direct or indirect, absolute or contingent, due or to become due, now existing or hereafter incurred, contracted or arising, or acquired by the Lender from any source, joint or several, liquidated or unliquidated, regardless of how they arise or by what agreement or instrument they may be evidenced or whether they are evidenced by agreement or instrument, and whether incurred as maker, endorser, surety, guarantor or otherwise, and any and all extensions or renewals of any of the same, including any reimbursement obligations incurred in connection with the issuance of a letter of credit; and (b) have kept and performed each and every obligation, covenant, duty, condition and agreement herein imposed on or agreed to by the Borrower; then this Security Agreement and conveyance shall become null and void; otherwise, this Agreement shall remain in full force and effect.

17. Events of Default. Upon the occurrence of any Event of Default under this Agreement or at any time thereafter, all of the Obligations, with interest thereon, shall at once become due and payable at the option of the Lender. As used in this Agreement, the term "Event of Default" shall mean the occurrence or happening of any one or more of the following events, circumstances or conditions:

(a) any representation or warranty made in this Agreement or in any of the other Loan Documents shall prove to be false or misleading in any material respect; or

(b) any report, certificate, financial statement or other instrument furnished in connection with this Agreement, or the borrowings under this Agreement or any of the other Loan Documents shall prove to be false or misleading in any material respect; or

(c) default shall be made in the payment of the principal of, interest on, or any other amount provided for in the Note or any of the other Loan Documents, as and when due and payable, and such default shall continue unremedied for five days; or

(d) default shall be made with respect to any Liabilities (other than those provided in the Loan Documents) of Borrower, or of any Subsidiary to the Lender; or

(e) default shall be made with respect to any Debt (other than the Liabilities) of Borrower, or of any Subsidiary when due or the performance of any other obligation incurred in connection with any Debt of Borrower, or of any Subsidiary, if the effect of such default is to accelerate the maturity of such Debt or to permit the holder thereof to cause such Debt to become due prior to its stated maturity and such default shall continue unremedied for thirty (30) days; or

(f) default shall be made in the due observance or performance of any covenant, condition or agreement on the part of the Borrower to be observed or performed pursuant to the terms of this Agreement and such default shall continue unremedied for thirty (30) days after written notice by the Lender to the Borrower; or

(g) Borrower or any Subsidiary shall (i) apply for or consent to the appointment of a receiver, trustee, liquidator or other custodian of it or any of its properties or assets (including the Property), (ii) fail or admit in writing its inability to pay its debts generally as they become due, (iii) make a general assignment for the benefit of creditors, (iv) suffer or permit an order for relief to be entered against it in any proceeding under the federal Bankruptcy Code, or (v) file a voluntary petition in bankruptcy, or a petition or an answer seeking an arrangement with creditors or to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation law or statute, or an answer admitting the material allegations of a petition filed against it in any proceeding under any such law or statute, or if corporate action shall be taken by Borrower or any Subsidiary for the purpose of causing any of the foregoing; or

(h) a petition shall be filed, without the application, approval or consent of Borrower or any Subsidiary, in any court of competent jurisdiction, seeking bankruptcy, reorganization, rearrangement, dissolution or liquidation of Borrower or such Subsidiary or of all or a substantial part of the properties or assets of Borrower or such Subsidiary, or seeking any other relief under any law or statute of the type referred to in clause (v) of paragraph (g) above against Borrower or such Subsidiary, or the appointment of a receiver, trustee, liquidator or other custodian of Borrower or such Subsidiary or of all or a substantial part of the properties or assets of Borrower or such Subsidiary, and such petition shall not have been dismissed within thirty (30) days after the filing thereof; or

(i) final judgment for the payment of money, in an aggregate amount greater than \$50,000, shall be rendered against Borrower or any Subsidiary and the same shall remain undischarged for a period of thirty (30) days during which execution shall not be effectively stayed; or

(j) the insolvency, dissolution, liquidation or suspension of business of Borrower or any Subsidiary or a writ of execution, attachment or garnishment shall be issued against the assets of Borrower or any Subsidiary and such writ of execution, attachment or garnishment shall not be dismissed, discharged or quashed within thirty (30) days of issuance; or

(k) Borrower shall materially default under any agreement material to the operation of such Borrower's business as now conducted or proposed to be conducted and such default shall continue unremedied for thirty (30) days; or

(l) any Guarantor shall terminate or attempt to terminate the Guarantor's obligations under the relevant Guaranty Agreement or any of the events described in (g), (h), (i) or (j) of this Section 17 shall occur with respect to any Guarantor; or

(m) the death of both H. Pat Wood and F. Rodney Lawler; or

(n) default shall be made in the due observance or performance of any covenant, condition or agreement on the part of any Guarantor to be observed or performed pursuant to the terms of any guaranty agreement or if any other default or event of default shall occur thereunder (after giving effect to any notice, grace or cure periods provided for therein); or

(o) the loss, theft, damage, sale, destruction or encumbrance of any uninsured material portion of the Property, or the sale or encumbrance or the issuance of any execution or the making of any levy, seizure or attachment thereof or thereon; or

(p) any other event of default shall occur under any of the other Loan Documents (after giving effect to any applicable notice, grace or cure periods provided for therein).

18. Repossession of the Property; Care and Custody of the Property, etc. Borrower agrees to give the Lender notice in the manner set forth in Section 32 below within twenty-four (24) hours of the date of repossession of the Property, or any part thereof, by the Lender as to any other property of the Borrower alleged to have been left on, upon or in the repossessed Property at the time of repossession; and such notice shall be an express condition precedent to any action or suit for loss or damages in connection therewith. The Borrower further agrees that the Lender may hold any such property of the Borrower without liability for a reasonable time after any such notice is received, and that the Lender will have a reasonable time to notify the Borrower as to where the Borrower can collect such property. The Borrower agrees that if the Lender shall repossess the Property, or any part thereof, at a time when no Event of Default shall have occurred hereunder, and the repossessed Property is thereafter returned to the Borrower, the damages therefor, if any, shall not exceed the fair rental value of the repossessed Property for the time it was in the Lender's possession. The Borrower hereby expressly and irrevocably consents to, and to the extent that the Borrower may lawfully do so, invites the Lender and its agents to come upon any premises on which the Property, or any part thereof, is now or hereafter located for any and all purposes related to the Property including repossession of the Property, of any part thereof. To the extent that the Borrower may lawfully do so, the Borrower further covenants and warrants that (a) any entry by the Lender and its agents upon such premises for the purpose of repossessing the Property, or any part thereof, shall not be a trespass upon such premises and (b) any such repossession shall not constitute conversion of the Property, or any part thereof. The Borrower further agrees to indemnify and hold the Lender harmless against, and hereby release the Lender from any actions, costs, liabilities or expenses arising directly, indirectly or remotely from any attempt to enter such premises and repossess the Property, or any part thereof. The Lender shall be deemed to have exercised reasonable care in the custody and preservation of the Property in its possession if it takes such reasonable actions

for that purpose as the Borrower shall request in writing, but the Lender shall have sole power to determine whether such actions are reasonable. Any omission to do any act not requested by the Borrower shall not be deemed a failure to exercise reasonable care. The Borrower shall at all times be responsible for the preservation of the Property and shall be liable for any failure to realize upon, or to exercise any right or power with respect to, the Property, or for any delay in so doing, whether or not the Property is in any Borrower's possession.

19. Remedies Regarding Accounts. Upon the occurrence of an Event of Default or at any time thereafter:

(a) The Lender shall have the right (i) to collect all Accounts in the Lender's or the Borrower's names (or in the name of any of them) and take control of any cash or non-cash proceeds of Property; (ii) to enforce payment of any Accounts; (iii) to prosecute any action or proceeding with respect to Accounts; (iv) to extend the time of payment of any and all Accounts; (v) to make allowances and adjustments with respect thereto and to issue credits in the name of the Lender or in the names of Borrower; (vi) to settle, compromise, extend, renew or release, in whole or in part, any Account or deal with the same as the Lender may deem advisable; and (vii) to require the Borrower to open all mail only in the presence of a representative of the Lender, who may take therefrom any remittance on Property.

(b) Upon demand by the Lender, all checks and other forms of remittance received by the Borrower as proceeds of Property shall be (i) held in trust for the Lender separate and apart from and not commingled with any other property of the Borrower, (ii) kept capable of identification as the property of the Lender, and (iii) delivered not less often than daily (or at such other intervals as may be mutually agreed upon in writing) to the Lender in the identical form received, with appropriate endorsements, and accompanied by a report prepared by the Borrower in such form as the Lender shall require. All payments received by the Borrower under or in connection with any Assigned Agreement or Account or otherwise in respect of the Property shall be received in trust for the benefit of the Lender, shall be segregated from other funds of the Borrower, and shall forthwith be paid over to the Lender in the same form as so received (with any necessary endorsement). Promptly upon the Lender's request, the Borrower shall do any or all of the following: (A) give written notice of the Lender's security interest in the Accounts to the Obligors in such form and at such times as the Lender may require; (B) open and maintain at the Borrower's expense a lock box with the Lender for the receipt of all

remittances with respect to Property and execute an agreement with the Lender in form and substance satisfactory to the Lender governing such lock box; and (C) notify the Obligors to make payments on the Accounts directly to the Lender or to said lock box.

20. Attorney-in-Fact after Default. The Borrower hereby constitutes and appoints the Lender, or any other Person whom the Lender may designate, as the attorney-in-fact of the Borrower, at the Borrower's sole cost and expense, to exercise at any time without notice to the Borrower after the occurrence of any Event of Default hereunder, all or any of the following powers, all of which powers, being coupled with an interest, shall be irrevocable until the Lender's security interest shall have been terminated in writing as set forth in Section 29 of this Agreement: (a) to receive, take, endorse, assign and deliver in the Lender's name or in the name of such Borrower any and all checks, notes, drafts and other instruments relating to Accounts; (b) to receive, open and dispose of all mail addressed to such Borrower and to notify postal authorities to change the address for the delivery thereof to such address as the Lender may designate; (c) to transmit to Obligors notice of the Lender's interest in the Accounts and to demand and receive from such Obligors at any time, in the name of the Lender or of such Borrower or of the designee of the Lender, information concerning the Accounts and the amounts owing thereon; (d) to notify Obligors to make payments on the Accounts directly to the Lender or to a lock box designated by the Lender; (e) to take or to bring, in the name of such Borrower, all steps, action, suits or proceedings deemed by the Lender necessary or desirable to effect collection of the Accounts; (f) to exercise all of such Borrower's rights and remedies with respect to the collection of the Accounts; (g) to settle, adjust, compromise, extend, renew, discharge, terminate, or release the Accounts and the Assigned Agreements in whole or in part; (h) to sell or assign the Accounts upon such terms, for such amounts and at such time or times as the Lender deems advisable; (i) to take control, in any manner, of any item of payment on, or proceeds of, Property; (j) to use the information recorded on or contained in any data processing equipment and computer hardware and software relating to any of the Property to which such Borrower has access; (k) to obtain and adjust insurance proceeds required to be paid to the Lender pursuant to Section 7; and (l) to do all acts and things necessary, in the Lender's sole judgment, to carry out the purposes of this Agreement. All acts of such attorney-in-fact or designee taken pursuant to this Section 20 are hereby ratified and approved by the Borrower and said attorney or designee shall not be liable for any acts or omissions nor for any error of judgment or mistake of fact or law.

21. Other Rights and Remedies upon Default. Upon the occurrence of an Event of Default, or at any time thereafter, the whole or any part of the Obligations secured hereby shall become immediately due and payable at the option of the Lender, and the Lender shall have all the rights and remedies of a secured party upon default under the Uniform Commercial Code, as well as all rights and remedies under any other applicable law and under the terms of this Agreement, all of which shall be cumulative. Without limiting the generality of the foregoing rights and remedies, the Lender may exercise any or all of the following rights, remedies and powers after default:

(a) The Lender may require the Borrower to assemble the Property, or any part thereof, and to make it available to the Lender at any convenient place designated by the Lender.

(b) The Lender may send any written notice to the Borrower required by law or this Agreement in the manner set forth in Section 32 of this Agreement; and any notice sent by the Lender in such manner at least ten (10) calendar days (counting the day of sending) prior to the date of a proposed disposition of the Property shall be deemed to be reasonable notice.

(c) The Lender may, without notice to the Borrower except as required by law and at any time or from time to time, charge, set-off and otherwise apply all or any part of the Obligations against the Deposit Accounts, or any part thereof.

(d) The Lender may exercise any and all rights and remedies of the Borrower under or in connection with any Assigned Agreement or otherwise in respect of the Property, including any and all rights of the Borrower to demand or otherwise require payment of any amount under, or performance of any provision of, any Assigned Agreement.

(e) The Lender, without demand of performance or other demand, advertisement or notice of any kind (except the notice specified below in this subparagraph of a proposed disposition of the Property) to or upon the Borrower or any other Person (all and each of which demands, advertisements and notices are hereby expressly waived, to the extent permitted by applicable law), may forthwith collect, receive, appropriate and realize upon the Property, or any part thereof, and may forthwith sell, lease, assign, give option or options to purchase, or sell or otherwise dispose of and deliver the Property (or contract to do so), or any part thereof, in one or more parcels at public or private sale or

sales, at any exchange broker's board or at any of the Lender's offices or elsewhere at such prices as the Lender may deem best, for cash or on credit or for future delivery without assumption of any credit risk. The Lender shall have the right upon any such public sale or sales, and to the extent permitted by law, upon any such private sale or sales, to purchase the whole or any part of the Property so sold, free of any right or equity of redemption, which equity of redemption the Borrower hereby releases. To the extent permitted by applicable law, the Borrower waives all claims, damages, and demands against the Lender arising out of the repossession, retention or sale of the Property. The Borrower agrees that the Lender need not give more than 10 days' notice as set forth in subparagraph (b) above of the time and place of any public sale or of the time after which a private sale may take place.

22. Lender May Perform. If the Borrower fails to perform any agreement contained herein, the Lender may itself perform, or cause performance of, such agreement, and the expenses of the Lender incurred in connection therewith shall be payable by the Borrower under Section 23.

23. Indemnity and Expenses. The Borrower agrees, jointly and severally, to indemnify the Lender from and against any and all claims, losses and liabilities growing out of or resulting from this Agreement (including enforcement of this Agreement), except claims, losses or liabilities resulting from the Lender's gross negligence or willful misconduct. The Borrower shall upon demand reimburse the Lender for any expenses incurred by the Lender in perfecting, protecting or enforcing or attempting to perfect, protect or enforce any of its rights and remedies under this Agreement, including all expenses of filing and recording this Agreement or any financing statements executed in connection with this Agreement, and all expenses of taking possession, holding, preparing for disposition, and disposing of the Property, including reasonable attorneys' fees.

24. Application of Proceeds. The net cash proceeds resulting from the exercise of any of the rights and remedies of the Lender under this Agreement, after deducting all charges, expenses, costs and attorneys' fees relating thereto, including any and all costs and expenses incurred in securing the possession of Property, moving, storing, repairing or finishing the manufacture of Property, and preparing the same for sale, shall be applied by the Lender to the payment of the Obligations, whether due or to become due, in such order and in such proportions as the Lender may elect.

25. Further Assurances. The Borrower, at Borrower's expense, will execute and deliver all such instruments and take all such action as the Lender may reasonably request from time to time and as may be reasonably necessary or proper in order to carry out the intention of this Agreement or to facilitate the performance of the terms hereof.

26. Severability, etc. In case any one or more of the provisions contained in this Agreement shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected or impaired thereby, and if any one or more of such provisions shall be invalid, illegal or unenforceable in any respect in any one jurisdiction, then, to the full extent permitted by applicable law, the validity, legality and enforceability of such provisions and of any remaining provisions shall not be affected or impaired thereby in other jurisdictions.

27. Remedies Cumulative. The rights and remedies of the Lender under this Agreement are cumulative and not exclusive of any other rights or remedies now or hereafter existing at law or in equity.

28. Non-Waiver. No delay in exercising any right or option given or granted hereto to the Lender shall be construed as a waiver thereof; nor shall a single or partial exercise thereof preclude any other or further exercise or the exercise of any other right, power or privilege. The Lender may permit the Borrower to remedy any default without waiving the default so remedied, and the Lender may waive any default without waiving any other subsequent or prior default by the Borrower.

29. Termination. This Agreement shall remain in full force and effect until written termination statements executed by a duly authorized officer of the Lender shall be filed for record in the office or offices in which financing statement should be filed in order to perfect a security interest in the Property. The Borrower agrees that this Agreement shall secure all Obligations, whether now existing or hereafter incurred, contracted for or arising. Payment in full of the Obligations outstanding at any one time shall not, in the absence of the execution and recordation of written instruments of termination as aforesaid, terminate this Agreement.

30. Borrower Remains Liable. Anything in this Agreement to the contrary notwithstanding, (a) the Borrower shall remain liable under the Assigned Agreements to perform all of their duties and obligations thereunder to the same

extent as if this Agreement had not been executed, (b) the exercise by the Lender of any of the rights hereunder shall not release the Borrower from any of its duties or obligations under the Assigned Agreements, and (c) the Lender shall not have any obligation or liability under the Assigned Agreements by reason of this Agreement or the receipt by the Lender of any payment hereunder, nor shall the Lender be obligated to perform any of the obligations or duties of the Borrower under the Assigned Agreements, to take any action to collect, file or enforce any claim for payment assigned to the Lender hereunder, or to make any inquiry as to the nature or sufficiency of any payment received by it or the sufficiency of any performance by any party thereunder.

31. Costs. Borrower, jointly and severally, shall promptly reimburse the Lender for any and all costs and expenses, including but not limited to, the reasonable fees and disbursements of counsel to the Lender, which the Lender may incur in connection with (a) the enforcement of the rights of the Lender in connection with the Obligations, (b) the protection or perfection of the Lender's rights and interests hereunder, (c) the exercise by or for the Lender of any of the rights or powers herein conferred upon the Lender, and (d) the prosecution or defense of any action or proceeding by or against the Lender, the Borrower or any Obligor, or any of them, concerning any matter arising out of, connected with or related to this Agreement, or any of the Property, or any of the Obligations.

32. Notices. Any notice shall be conclusively deemed to have been received by a party hereto and be effective on the day on which delivered to such party at the address set forth below (or at such other address as such party shall specify to the other parties in writing), or, if sent by registered or certified mail, on the third Business Day after the day on which mailed, addressed to such party at said address:

(a) if to the Lender, at 505 South Gay Street, Knoxville, Tennessee 37902; Attention: Joe K. Madron, Vice-President; and

(b) if to the Borrower, at Lawler-Wood, Inc., 1600 Riverview Tower, Knoxville, Tennessee 37902; Attention: Edward D. Shouse.

33. Miscellaneous. Plural or singular words used herein to designate the Borrower shall be construed to refer to the maker of this Agreement, and the successors and assigns of such party or parties; and all covenants and agreements herein made by the Borrower shall survive the execution and

delivery of this Agreement, the Note and the other Loan Documents, and shall bind the heirs, personal representatives, executors, administrators, successors and assigns of the undersigned, and every option, right and privilege herein reserved or secured to the Lender shall inure to the benefit of, or may be exercised by, its successors and assigns. Each of the undersigned hereby acknowledges receipt of a duplicate copy of this Agreement. The Borrower hereby waives presentment, demand, protest or any notice (to the extent permitted by applicable law) of any kind in connection with this Agreement or any Property. No modification, amendment or waiver of any provision of this Agreement, the Note, or any of the other Loan Documents, or consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Lender, and such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on the Borrower in any case shall entitle the Borrower to any other or further notice or demand in the same, similar or other circumstances. The headings and captions in this Agreement are for convenience of reference only and shall in no way restrict or modify any of the terms hereof. This Agreement may be executed in any number of counterparts, each of which shall constitute an original, but all of which together shall constitute one and the same instrument. This Agreement shall be governed by the laws of the State of Alabama.

34. The Mortgage. In the event that any of the Property is also subject to a valid and enforceable Lien under the terms of any Mortgage and the terms of the Mortgage are inconsistent with the terms of this Agreement, then with respect to such Property the terms of the Mortgage shall be controlling in the case of fixtures, leases, licenses, contracts and agreements relating to real property, and the terms of this Agreement shall be controlling in the case of all other Property.

IN WITNESS WHEREOF, the undersigned has caused this Agreement to be executed by a duly authorized officer the day and year first above written.

BORROWER:

A&F, INC.

By: Edward S House

Name: EDWARD S HOUSE

Title: PRESIDENT

STATE OF Tennessee
COUNTY OF Knox)

I, the undersigned authority, a Notary Public in and for said County in said State, hereby certify that Edward Shouse, whose name as President of A&F, INC., an Alabama corporation, is signed to the foregoing Security Agreement and who is known to me, acknowledged before me on this day that, being informed of the contents of said Security Agreement, he, as such officer and with full authority, executed the same voluntarily for and as the act of said corporation.

Given under my hand and official seal this the 27th day of December, 1990.

Janice C. McMillan
Notary Public

AFFIX SEAL

My commission expires: March 22, 1993

This instrument prepared by:
William H. Skelton
BAKER, WORTHINGTON, CROSSLEY,
STANSBERRY & WOOLF
900 Gay Street, S.W.
P.O. Box 1792
Knoxville, Tennessee 37901
(615) 549-7000

SECURITY AGREEMENT EXHIBITS

EXHIBIT A

(Existing Assigned Agreements)

1. Lease Agreement between CSX Transportation Company, Inc. and Alabama & Florida Railroad Company, Inc. dated July 25, 1986, as assigned to A&F, Inc.
2. Lease and Tracking Rights Agreement between Alabama & Florida Railroad Company, Inc. and Andalusia & Conecuh Railroad Company, Inc., dated September 23, 1986, for 2 miles of track, as assigned to A&F, Inc.

EXHIBIT B

(Permitted Encumbrances)

1. The lien for any tax on the Property so long as such tax is not delinquent.
2. The right of the State of Alabama under a certain track rehabilitation grant to the Borrower.

EXHIBIT C

(Locations of Tangible Property)

1. 1600 Riverview Tower
Knoxville, Tennessee 37902
2. A&F, Inc.
Opp, Alabama

EXHIBIT D

(Equipment and Rolling Stock)

LOCOMOTIVE LIST

<u>Loco Number</u>	<u>Last RR Owner</u>	<u>Present Owner</u>	<u>Where Located</u>	<u>Type</u>
6011	MDEQ	AFRC	AFRC	GP-9
6076	MDEQ	AFRC	AFRC	GP-9
6094	MDEQ	AFRC	AFRC	GP-9
1214	MDEQ	AFRC	AFRC	SW-9

Notes:

MDEQ is Mississippi Delta Equipment Company
AFRC is A&F, Inc.

All unit numbers are unchanged from the last RR
owner.

CAR LIST

None

Acknowledgment

I, Lisa Z. Burriss, have compared the copy of the Security Agreement between First American National Bank and A&F, Inc. with the original and have found the copy to be complete and identical in all respects to the original document.

Dated: January 18, 1991

District of Columbia)
SS:)


Lisa Burriss
Notary Public

My Commission Expires September 14, 1995

My Commission Expires: _____